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Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 4th day of May, 2010, between CHARLES D. SHUEY AND VICTORIA M. WAHL HUSBAND AND WIFE, 413 Mountain Laurel Ct, Mountain View Ca 94043 as Lessor, and PALOMA BARNETT, LLC, 1021 Main Street, Suite 2600, Houston, Texas 77002-6606 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

0.24657 acres, more or less, situated in the William Mask Survey, A-1041, and being Lot 5, Block 1, of Windy Pine Park Addition, an addition to the City of Arlington, Tarrant County, Texas, according to the map or plat thereof recorded in Volume 388-137, Page 50, Plat Records, Tarrant County Texas.

in the County of TARRANT, State of TEXAS, containing 0.24657 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/selsmic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

- 2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

  3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs Incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.
- amount due, but snail not operate to terminate this lease.

  4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor's credit in <u>at lessor's address above</u> or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as
- depository agent to receive payments.

  5. Except as proyled for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all
- is shall nevertheless remain in force If Lessee commences operations for reworking an existing well for drilling an additional well of for otherwise obtaining or restoring production on the lessed premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lesse is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lesse shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the lessed premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall full such additional wells on the lessed premises or lands pooled therewith. After completion of a well capable of producing in paying quantities on the lessed premises or lands pooled therewith, or (b) to protect the lessed premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

  6. Lessee shall have the right but not the obligation to pool all or any part of the lessed premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lesse, either before or interest the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the lessed premises, whether or not similar pooling authority exists with respect to such other rands or interests. The unit formed by such ate of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

- 7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

  8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone.
- and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferse to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

  9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease of the lessee.
- the net acreage interest in this lease then held by each.

  9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.
- 10.
- Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any g authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by Inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by Inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not disputes, or yellowing the production of delay and at lease estall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay, and at Lessee's option, the period of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations
- are so prevented, delayed or interrupted.

  12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions
- 13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor h Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and i.essee falls to do so.
- <del>tual-</del>subsurface from oil or as ement under and through the leased-premises for the
- and agrees that Lessee at Lessee's option may pay and discharge any 15. Lessor hereby warrants and agrees to defend tit taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lesson is made aware of any claim inconsistent with Lesson's title, Lesson may cuspend the payment of reyalties and shut-in royalties
- 16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.
- 17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for
- 18. Lessor agrees to execute, without payment of additional compensation, any and all documents required to obtain approval from any and all federal, state, county or municipal/local government entities to conduct the operations contemplated by this Lease, including, but not limited to, distance waivers, consents, easements prohibiting construction of improvements within certain distances, and petitions of support.

  19. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as

**ACKNOWLEDGMENT** 

STATE OF TEXAS Q Calibrania COUNTY OF TARRANT tanta clava

This instrument was acknowledged before me on the 28 day of Wictoria l 2010 by Victoria M. Wahl

Notary Public, State of Taxal R California.

NANCY TAYE HIDAK

Commission # 1815484 Notary Public - California

Santa Clara County

My Comm. Expires Oct 28, 2012

# CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California  County of Santa Clara	
	J
On 28 may 2010 before me,	Nancy Taye Hidaka, Notary Public
personally appeared Charles D. S	Here Insert Name and Title of the Officer  Shurly and Victoria m. Wahl  Name(s) of Signe(s)
NANCY TAYE HIDAKA Commission # 1815484	Nancy Taye Hidaka, Notary Public  Here Insert Name and Title of the Officer  Name(s) is Signe(s)  who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/the) executed the same in his/her/their authorized capacity(es), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.  I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.  WITNESS my hand and official seal.  Signature:  Signature:  Signature of Notary Public  Signature of this form to another document.  Number of Pages:  Number of Pages:
Notary Public - California Santa Clara County My Comm. Expires Oct 28, 2012	I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.
	WITNESS my hand and official seal.
Place Notary Seal Above	Signature: Mary Joy Hidaka . Signature ot Notary Public
Though the information below is not required by I	IONAL  law, it may prove valuable to persons relying on the document and reattachment of this form to another document.
Description of Attached Document  Title or Type of Document: Part Up C	Iil and Gas Wabe
Document Date: <u>Of May 7</u>	Number of Pages: 2
Signer(s) Other Than Named Above:	
Capacity(ies) Claimed by Signer(s)	
Signer's Name: <u>Charles D. Shull</u>	L Signer's Name: Victoria M. Wahl
☐ Corporate Officer — Title(s):	☐ Corporate Officer — Title(s):
Individual RIGHT THUMBPI OF SIGNER	RINT 12 Individual RIGHT THUMBPRINT OF SIGNER
☐ Partner — ☐ Limited ☐ General Top of thumb h	ere Partner — Limited General Top of thumb here
☐ Attorney in Fact	☐ Attorney in Fact
☐ Trustee	□ Trustee
☐ Guardian or Conservator	☐ Guardian or Conservator
□ Other:	☐ Other:
Signer Is Representing:	Signer's Name: VICHORIA M. WAM  Corporate Officer — Title(s):  INT  Introdividual Partner — Limited General Attorney in Fact Trustee Guardian or Conservator Other: Signer Is Representing:

### Page 4 of 5

ADDENDUM TO

PAID UP OIL & GAS LEASE

(NO SURFACE USE)

and Victoria M. Wahl, husband and wife with

This addendum is attached and made a part of that certain Paid Up Oil and Gas lease dated as of 05/12/2010

("Lease"), between Charles D. Shuey, as "Lessor" and Paloma Barnett. LLC, as "Lessee." Related to 0.24657 acres of land in the William Mask SurveyA-1041 in Tarrant County Taylor of Tarrant County Tarrant County Taylor of Tarrant County Taylor of Tarrant County Taylor of Tarr acres of land in the William Mask SurveyA-1041, in Tarrant County, Texas as more particular described in the Lease, the "leased premises"), and controls over any conflicting provision in the lease. Any term used herein and given a defined meaning in the lease (and not otherwise defined herein) shall have the meaning given such term in the lease.

- 1. The Lease is supplemented by including the following provision therein: "This lease does not and shall not be deemed to grant to Lessee any rights or privileges to use the surface of the leased premises for any other purpose whatsoever. Lessee shall have **NO** use of the surface of the leased premises for any purposes whatsoever, and nothing contained in this lease shall be construed to grant the lessee any right to use the surface of the leased premises. Notwithstanding the foregoing, the lessee is herby granted the right to drill, bore or go through, or in any manner, whether by directional drilling or otherwise, penetrate the subsurface depths of the leased premises so long as such activities are limited to the depths below the depth of 500 feet from the surface of the earth and do not damage the subsurface (or lateral) support for the surface uses and operations of Lessor on the leased premises. This lease does not and shall not be deemed to grant to lessee the right to conduct and geophysical exploration or operation by means of seismograph, vibroseis or similar techniques on the leased premises. Save and except for seismic methods related or associated with velocity surveys and/or vertical seismic profiles in wells drilled to bottom hole locations beneath the surface of the leased premises."
- 2. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a subsurface well bore easement under and through the lease premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and terminate 2 years after the last well bore has been plugged and abandoned.

**ACKNOWLEDGMENT** 

STATE OF TEXAS ( CALIJOKNIA COUNTY OF TARRANT M SAN LA CLALA

This instrument was acknowledged before me on the 20 day of Way 2010 b

Charles D. Shuey 2010 b

Victoria M. Wahl

NANCY TAYE HIDAKA Commission # 1815484 Notary Public - California Santa Clara County My Comm. Expires Oct 28, 2012

Notary Public, State of Texas (i) calyornia

### CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California	l
County of Santa Clara	<u>_</u>
On <u>20 May 2010</u> before me,	Nancy Taye Hidaka, Notary Public  Here Insert Name and Title of the Officer
personally appeared <u>charles</u> D.	shuly and Victoriam, want.
NANCY TAYE HIDAKA Commission # 1815484 Notary Public - California Santa Clara County My Comm. Expires Oct 28, 2012	Nancy Taye Hidaka, Notary Public  Here Insert Name and Title of the Officer  SNUCLY AND VICTORIA M. Wahl.  Name(s) Di Signe(s)  who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.  I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.  WITNESS my hand and official seal.  Signature: Number of Pages:  Number of Pages:  Number of Pages:
	paragraph is true and correct.
	WITNESS my hand and official seal.
	Signature: Marry Jaye Hidaka.
Place Notary Seal Above	Signature: 7 Signature bt Notary Public
Though the information below is not required by	TIONAL  y law, it may prove valuable to persons relying on the document al and reattachment of this form to another document.
Description of Attached Document Title or Type of Document: Adden dun  (	Number of Pages: /
Signer(s) Other Than Named Above:	
Capacity(ies) Claimed by Signer(s) Signer's Name: Chakus D. Shule	
☐ Corporate Officer — Title(s):	☐ Corporate Officer — Title(s):
Individual RIGHT THUME OF SIGNE	ER OF SIGNER
☐ Partner — ☐ Limited ☐ General Top of thurst	3,650.0
☐ Attorney in Fact	☐ Attorney in Fact
☐ Trustee	☐ Trustee
☐ Guardian or Conservator ☐ Other:	☐ Guardian or Conservator ☐ Other:
Outer.	Doulet.
Signer Is Representing:	Signer Is Representing: